

UNITED STATES TARIFF COMMISSION

TOWELING OF FLAX, HEMP, OR RAMIE

Report to the President (1962)
Under Executive Order 10401



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UNITED STATES TARIFF COMMISSION

HEN DORFMAN, Chairman

JOSEPH E. TALBOT

WALTER R. SCHREIBER

GLENN W. SUTTON

WILLIAM E. DOWLING

DONN N. BENT, Secretary

Address all communications to
UNITED STATES TARIFF COMMISSION
Washington 25, D.C.

UNITED STATES TARIFF COMMISSION
WASHINGTON 25, D. C.

OFFICE OF THE CHAIRMAN

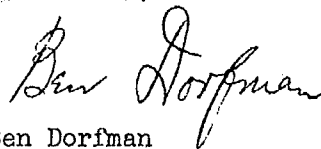
July 25, 1962

Dear Mr. President:

I have the honor to transmit the U.S. Tariff Commission's fifth report under paragraph 1 of Executive Order 10401, with regard to developments in the trade in toweling of flax, hemp, or ramie, classifiable under paragraph 1010 of the Tariff Act of 1930, since the withdrawal of the tariff concession granted in the General Agreement on Tariffs and Trade on such toweling by Proclamation No. 3143, effective after the close of business July 25, 1956.

The Commission is of the view that developments in the trade in toweling of flax, hemp, or ramie, classifiable under paragraph 1010, do not indicate such a change in the competitive situation as to warrant institution at this time of a formal investigation under the provisions of paragraph 2 of Executive Order 10401.

Respectfully,



Ben Dorfman
Chairman

Enclosure

The President

The White House

TOWELING OF FLAX, HEMP, OR RAMIE

U.S. Tariff Commission
July 25, 1962

Report to the President Under Paragraph 1 of Executive Order 10401
on Developments in the Trade in Toweling of Flax, Hemp, or Ramie

Introduction

After investigation by the Tariff Commission and report to the President ^{1/} under section 7 of the Trade Agreements Extension Act of 1951, as amended (the escape-clause procedure), the President, by Proclamation No. 3143, dated June 25, 1956 (3CFR, 1956 Supp., p. 33) withdrew the concession on toweling of flax, hemp, or ramie granted in the General Agreement on Tariffs and Trade (GATT). The change in the U.S. customs treatment of toweling of flax, hemp, or ramie resulting from this action became effective after the close of business on July 25, 1956.

Paragraph 1 of Executive Order 10401 of October 14, 1952 (3CFR, 1949-1953 Comp., p. 901) requires the Tariff Commission to keep under review developments with regard to any product respecting which a trade-agreement concession has been withdrawn or modified pursuant to action taken under the escape-clause procedure, and to make periodic reports to the President concerning such developments. The first such report in each case must be made not later than 2 years after the escape-clause action is taken, and subsequent reports are required at intervals of 1 year.

^{1/} U.S. Tariff Commission, Toweling of Flax, Hemp, or Ramie: Report to the President on Escape-Clause Investigation No. 44 . . ., 1956 (processed).

If, in the judgment of the Tariff Commission, conditions of competition with respect to the trade in the imported articles and the like or directly competitive domestic products concerned have so changed as to warrant a formal investigation to determine whether the withdrawn or modified trade-agreement concession may be restored in whole or in part without resultant serious injury to the domestic industry, or upon request of the President, such a formal investigation must be instituted by the Tariff Commission under paragraph 2 of the order.

This is the fifth report on toweling of flax, hemp, or ramie pursuant to paragraph 1 of the order. The first such report was submitted to the President on July 25, 1958, and subsequent reports were submitted on July 24, 1959, July 25, 1960, and July 25, 1961.

Customs treatment

The toweling that is the subject of this report is dutiable under the provision in paragraph 1010 of the Tariff Act of 1930 for "Woven fabrics . . . of flax, hemp, ramie, . . . or of which these substances or any of them is the component material of chief value, not specially provided for . . ." The rate of duty originally provided in that act for such fabrics (including toweling) was 40 percent ad valorem. The rate was reduced to 30 percent ad valorem pursuant to the trade agreement with the Belgo-Luxembourg Economic Union effective May 1, 1935, and was further reduced to 20 percent ad valorem pursuant to the trade agreement with the United Kingdom, effective January 1, 1939, and to 10 percent ad valorem in the General Agreement on Tariffs and Trade, effective January 1, 1948. With respect to toweling dutiable under

tariff paragraph 1010, the concession in the General Agreement was withdrawn as indicated above, with a resultant increase in the import duty on such toweling from 10 percent ad valorem to 40 percent ad valorem.

Description and uses

The term "linen toweling" is used in this report to designate fabrics in chief value of flax, hemp, or ramie, or mixtures thereof that are chiefly used in the United States for the manufacture of towels. The imported linen towelings dutiable under tariff paragraph 1010 with which this report is concerned are generally described in the trade as overcount or overwidth in order to distinguish them from the imported toweling dutiable under tariff paragraph 1009(a). "Overcount" refers to toweling that has more than 100 threads to the square inch (counting warp and filling); "overwidth" refers to toweling that is more than 36 inches in width. The overwidth toweling (by far the more important of the two groups dutiable under tariff paragraph 1010) is generally woven 48 to 51 inches wide, so that it can be split or cut lengthwise into three uniform pieces, each about 16 or 17 inches wide. The imported linen toweling dutiable under paragraph 1009(a) has 100 threads or less to the square inch and exceeds 12 inches but not 36 inches in width; this, like the overcount toweling is usually 16 to 20 inches wide. The imported linen towelings dutiable under paragraphs 1009(a) and 1010 weigh 4 ounces or more per square yard; virtually all are woven with colored yarns of cotton in the warp or filling to form stripes or checks that have long been associated with toweling for kitchen use. Imported linen fabrics that are dutiable under other tariff paragraphs are not chiefly used in the United States for the manufacture of towels.

The linen toweling produced in the United States is generally 16 or 17 inches wide with 45 to 60 threads per square inch and ranges in weight from 5-1/2 to 8-1/2 ounces per square yard. Imported linen toweling of such construction, as indicated above, is entered under tariff paragraph 1009(a). Some of the domestic linen toweling, like most of the imported toweling, is woven with colored yarns of cotton in the warp or filling to form stripes or checks. In recent years, however, a substantial and increasing portion of the domestic linen toweling has been woven with no colored yarns, cut into towel lengths, screen-printed, and hemmed. Most of the screen-printed towels made from domestic linen fabric are sold by the domestic producer of the fabric in a form suitable for hanging as calendars and, to a minor extent, with mottoes, verses, and the like.

Production and sales by the U.S. producer

Since the early 1950's only one domestic concern has produced linen toweling. ^{1/} Domestic production of linen toweling, which averaged 600,000 to 700,000 pounds annually in the period 1953-56, averaged 400,000 to 500,000 pounds annually in the period 1957-60. Annual sales of linen toweling (including that converted into towels) by the U.S. producer had declined substantially during the 1950's; they increased during the fiscal years ending March 31, 1961, and 1962. In terms of quantity (both square yards and pounds) sales of domestic linen toweling (and towels) were about 5 percent larger in 1961-62 than in 1960-61 (table 1, in the appendix), and 6 percent larger in terms of value.

^{1/} The data relating to the sales of this concern have been used with its consent.

However, the 1961-62 sales were about 24 percent smaller in terms of quantity than the 1954-55 sales, and 20 percent greater in terms of value. The fact that the value of sales rose and the quantity declined is attributable to the marked increase in the sales of screen-printed towels (principally calendar towels), which sold at considerably higher prices than other types. Toweling sold as screen-printed towels accounted for a substantially larger share of the total value of sales of domestic linen toweling in 1961-62 than in 1954-55.

Inventories

The domestic producer of linen toweling has continued to follow a policy of tight inventory control. Stocks of finished toweling and towels, as well as stocks of raw materials, have never been permitted to accumulate in substantial quantities.

U.S. imports

As indicated in the Commission's earlier reports, imports of toweling under paragraph 1010 declined substantially subsequent to the 1956 tariff increase. In the period 1957-60, annual imports of linen toweling under paragraph 1010 averaged 110,000 pounds, valued at \$102,000, or about one-tenth of the annual imports in the 4 calendar years preceding the 1956 increase in the duty. Imports were 201,000 pounds, valued at \$115,000, in 1961, and were 41,000 pounds, valued at \$29,000, in the 4-month period January-April 1962 (table 2).

Imports of linen toweling classifiable under paragraph 1009(a), like the linen toweling classifiable under paragraph 1010, compete in the U.S. market with domestic linen toweling. Imports of fabrics entered

under paragraph 1009(a), consisting almost entirely of linen toweling, averaged 288,000 pounds annually in the period 1957-60, and amounted to 360,000 pounds, valued at \$206,000 in 1961 (table 3). Such imports were 172,000 pounds in January-April 1962, compared with 103,000 pounds in the corresponding period of 1961.

Subsequent to the President's withdrawal of the concession granted in the General Agreement on Tariffs and Trade on linen toweling classifiable under paragraph 1010, linen toweling has been dutiable at 40 percent ad valorem whether entered under paragraph 1009(a) or paragraph 1010. A 40-percent rate (in paragraph 1014) also applies to imports of towels made from linen fabric not exceeding 100 threads to the square inch; lower rates apply to towels made from linen fabric exceeding 100 threads but not exceeding 120 threads to the square inch. Such imported towels are dutiable at 30 percent ad valorem if wholly or in chief value of flax and at $27\frac{1}{2}$ percent ad valorem if wholly or in chief value of hemp or ramie or both.

Toweling dutiable under paragraph 1009(a) and towels made from fabric not exceeding 120 threads to the square inch that are the products of countries or areas specified by the President, pursuant to section 5 of the Trade Agreements Extension Act of 1951, as Communist-dominated or -controlled are dutiable at the statutory rate of 55 percent ad valorem, rather than the trade-agreement rates of 40 percent, 30 percent, or $27\frac{1}{2}$ percent mentioned above. In recent years such countries, particularly Czechoslovakia, Poland, and, beginning in 1959, Hungary, supplied a substantial portion of the combined U.S. imports of linen toweling and towels made from fabric not exceeding 120 threads to the square inch.

For products of Poland, including toweling dutiable under paragraph 1009(a) and the towels described above, the application of trade-agreement rates was restored effective December 16, 1960, by action of the President on November 16, 1960 (25 F.R. 12501). The value of imports of such toweling and towels from Poland increased substantially in 1961 as compared with the 2 preceding years.

The combined imports of toweling entered under paragraphs 1009(a) and 1010 declined from about 1.2 million pounds in 1954 to 0.6 million pounds in 1961 (tables 2 and 3). Total imports of towels made from fabrics not exceeding 120 threads per square inch (entered under par. 1014), which were substantially smaller in 1960 than in any other recent year, were in 1961 about the same as annual imports in the years 1957-59 (table 4).

U.S. consumption

Apparent U.S. consumption of linen toweling (domestic production of linen toweling plus imports of linen toweling and towels made from linen fabric not exceeding 120 threads per square inch), ^{1/} which averaged about 2.5 million pounds annually in 1951-55, declined to less than half that amount in 1957-61. As indicated in the Commission's escape-clause report on linen toweling, the trend of domestic consumption of linen toweling has been downward since the 1930's. The low level of consumption of linen toweling in recent years is attributable to the increasing use of (1) various types of equipment for washing and drying dishes that obviate the need for any kind of toweling, and (2) toweling not in chief value of flax, hemp, or ramie.

^{1/} U.S. exports of linen toweling and towels, if any, are negligible; changes in yearend inventories are also believed to be negligible.

In the period 1955-61 the share of the U.S. market for linen toweling and towels supplied by the domestic producer of linen toweling increased from 25 percent to about 40 percent. From 1955 to 1959, domestic production declined by about 27 percent, whereas imports of linen toweling and towels declined by about 63 percent; from 1959 to 1960 domestic production rose significantly, and imports fell from 1959 to 1960 but rose in 1961.

Prices

The average net prices (per linear yard) received by the domestic producer for its three principal styles of toweling (constituting more than 98 percent of total sales) were the same in June 1961 as in June 1960.

Application of Executive Order 10401 to linen toweling to cease on effective date of new "Tariff Schedules of the United States"

The new "Tariff Schedules of the United States," provided for in the Tariff Classification Act of 1962 (Public Law 87-456) will probably become effective on January 1, 1963.^{1/} Item 356.70 of these Tariff Schedules provides for linen toweling having not over 100 yarns per square inch at the rate of 40 percent ad valorem, which is the rate presently applicable under the escape-clause proclamation. Toweling having over 100 yarns per square inch is provided for in the new Tariff Schedules under item 335.90 at the rate of 10 percent ad valorem (the trade-agreement rate). These rates will become the "permanent" rates when the new Tariff Schedules become effective, and the escape-clause proclamation will be superseded. Accordingly, when the new Tariff Schedules become effective, further "review" of the escape-clause action with respect to linen

^{1/} See Department of State Press Release No. 394, dated June 15, 1962.

toweling under Executive Order 10401 will terminate, and this report will therefore probably be the final one under the order.

In this connection, it might be noted that the customs treatment for linen toweling under the new Tariff Schedules will be substantially that which is sought by the Linen Trade Association, Inc., New York, N.Y., in its request dated May 25, 1962, for a Tariff Commission investigation with respect to linen toweling under paragraph 2 of Executive Order 10401.

STATISTICAL APPENDIX

Table 1.--Linen toweling produced in the United States: Sales by the domestic producer, fiscal years 1955-62

Year ending Mar. 31--	Sold as toweling		Sold as towels		Total	
	1,000	1,000	1,000	1,000	1,000	1,000
	square yards	pounds	square yards	pounds	square yards	pounds
1955-----	1,008	510	260	124	1,268	634
1956-----	844	427	289	138	1,133	565
1957-----	797	403	381	182	1,178	585
1958-----	658	333	333	159	991	492
1959-----	635	314	296	142	931	456
1960-----	457	226	438	210	895	436
1961-----	377	186	567	272	944	458
1962-----	346	171	649	312	995	482

Source: Compiled by the U.S. Tariff Commission from data supplied by the domestic producer.

Table 2.--Toweling of flax, hemp, or ramie, or of which these substances or any of them is the component material of chief value entered under par. 1010; U.S. imports for consumption, by principal sources, 1954-61 and January-April 1962

Period	Total, all countries ^{1/}	United Kingdom	Czecho- slovakia	Japan	Poland and Danzig	Hungary	Belgium and Luxembourg	All other countries
Quantity (1,000 pounds)								
1954-----	2/ 947	255	-	28	2	-	587	75
1955-----	2/ 838	291	-	56	-	-	471	20
1956:								
Jan. 1-July 25-----	2/ 618	250	-	63	3	-	293	9
July 26-Dec. 31-----	43	28	-	8	2	-	5	-
Total, ^{1/} 1956-----	660	278	-	71	5	-	298	9
1957-----	153	52	82	4	4	-	1	11
1958-----	115	25	68	-	9	-	4	10
1959-----	131	22	14	3	84	4	4	1
1960 ^{3/} -----	59	17	5	13	18	-	5	1
1961 ^{3/} -----	201	4	24	-	141	29	3	-
1962 (January-April) ^{3/} -----	41	12	-	-	23	-	7	-
Foreign value (1,000 dollars)								
1954-----	2/ 1,062	414	-	29	3	-	583	34
1955-----	2/ 1,035	481	-	54	-	-	465	36
1956:								
Jan. 1-July 25-----	2/ 698	342	-	55	1	-	283	15
July 26-Dec. 31-----	46	32	-	7	2	-	5	-
Total, ^{1/} 1956-----	744	374	-	62	3	-	289	15
1957-----	136	73	47	4	3	-	1	8
1958-----	106	47	43	-	6	-	3	7
1959-----	111	44	11	1	47	3	4	1
1960 ^{3/} -----	55	30	3	6	9	-	6	1
1961 ^{3/} -----	115	6	16	-	75	15	2	-
1962 (January-April) ^{3/} -----	29	10	-	-	12	-	7	-
Unit value (per pound) ^{4/}								
1954-----	2/ \$1.12	\$1.62	-	\$1.03	\$1.14	-	\$0.99	\$0.46
1955-----	2/ 1.23	1.66	-	.96	-	-	.99	1.79
1956:								
Jan. 1-July 25-----	2/ 1.13	1.37	-	.88	.55	-	.97	1.72
July 26-Dec. 31-----	1.07	1.12	-	.88	.87	-	1.18	-
Average, 1956-----	1.13	1.34	-	.88	.68	-	.97	1.72
1957-----	.89	1.41	\$0.57	.87	.87	-	1.69	.72
1958-----	.92	1.90	.63	-	.68	-	.75	.66
1959-----	.85	2.03	.75	.43	.57	\$0.62	1.09	1.47
1960 ^{3/} -----	.94	1.79	.66	.49	.50	-	1.09	1.20
1961 ^{3/} -----	.57	1.80	.65	-	.54	.52	.81	-
1962 (January-April) ^{3/} -----	.70	.85	-	-	.54	-	1.02	-

^{1/} Because of rounding, figures may not add to the totals shown.

^{2/} Imports in this period were classified as "woven fabrics of flax, hemp, or ramie, with woven or printed colored stripes in the warp." Information obtained from the trade and from customs officials during the 1956 escape-clause investigation indicated the following: (1) The imports reported in this table from the countries specified by name consisted almost entirely of toweling; (2) such toweling comprised about 75 percent of the total imports of striped toweling entered under par. 1010; and (3) imports from "All other countries" were largely inexpensive fabric for wrapping plants (in 1954) and upholstery fabrics (in 1955 and Jan. 1-July 25, 1956).

^{3/} Preliminary.

^{4/} Computed from the unrounded figures.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 3.--Woven fabrics of specified construction, 1/ wholly or in chief value of flax, hemp, or ramie entered under par. 1009(a): U.S. imports for consumption, by principal sources, 1954-61 and January-April 1962

Period	Total, all countries 2/	United Kingdom	Belgium and Luxembourg	Poland and Danzig	Japan	Czecho-slovakia	Hungary	All other countries
Quantity (1,000 pounds)								
1954-----	263	22	1	240	-	-	-	3/ 1
1955-----	132	11	1	111	9	-	-	4
1956-----	207	17	3/	153	9	24	-	4
1957-----	330	28	-	129	2	142	-	29
1958-----	302	19	3/	92	1	183	-	5
1959-----	293	15	3/	158	3	99	17	1
1960 4/-----	228	10	-	84	4	111	17	2
1961 4/-----	360	10	-	136	2	144	65	3
1962 (January-April) 4/-----	172	4	-	73	1	56	38	-
Foreign value (1,000 dollars)								
1954-----	162	29	2	131	-	-	-	1
1955-----	89	15	1	67	4	-	-	2
1956-----	142	22	5/	92	9	14	-	5
1957-----	217	35	-	79	3	86	-	14
1958-----	197	30	5/	49	2	110	-	5
1959-----	182	24	5/	83	4	58	10	1
1960 4/-----	140	16	-	45	5	62	10	1
1961 4/-----	206	15	-	70	2	80	37	2
1962 (January-April) 4/-----	95	7	-	37	1	30	20	-
Unit value (per pound) 6/								
1954-----	\$0.62	\$1.32	\$1.32	\$0.55	-	-	-	\$3.69
1955-----	.67	1.37	1.14	.60	\$0.43	-	-	2.14
1956-----	.69	1.33	-	.60	.94	\$0.60	-	1.05
1957-----	.66	1.27	-	.61	1.32	.60	-	.49
1958-----	.65	1.53	-	.54	1.26	.60	-	1.14
1959-----	.62	1.66	-	.53	1.29	.59	\$0.65	1.22
1960 4/-----	.61	1.55	-	.53	1.27	.56	.57	.60
1961 4/-----	.57	1.49	-	.52	1.30	.55	.56	.70
1962 (January-April) 4/-----	.55	1.66	-	.51	1.32	.54	.53	-

1/ Over 30 not over 100 yarns per square inch, counting the warp and filling, weighing 4 or more but not over 12 ounces per square yard, and over 12 but not over 36 inches wide. Most of the fabric entering in this classification is toweling.

2/ Because of rounding, figures may not add to the totals shown.

3/ Less than 500 pounds.

4/ Preliminary.

5/ Less than \$500.

6/ Computed from the unrounded figures.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 4.--Towels, wholly or in chief value of flax, hemp, or ramie, not more than 120 threads per square inch (par. 1014): U.S. imports for consumption, by principal sources, 1954-61, and January-April 1962

Period	Total, all countries ^{1/}	United Kingdom	Belgium and Luxembourg	Poland and Danzig	Japan	Czecho- slovakia	All other countries
Quantity (thousands)							
1954-----	3,118	1,025	126	407	1,559	-	1
1955-----	3,830	1,195	146	51	2,435	-	3
1956-----	2,090	1,167	84	159	656	9	16
1957-----	1,157	778	84	27	210	45	15
1958-----	1,354	482	63	166	315	290	38
1959-----	1,415	602	5	229	345	198	36
1960 ^{2/} -----	1,058	481	5	222	34	278	38
1961 ^{2/} -----	1,254	370	28	552	7	279	19
1962 (January-April) ^{2/} -----	513	141	4	222	12	120	14
Foreign value (1,000 dollars)							
1954-----	396	226	19	39	112	-	1
1955-----	438	252	23	6	156	-	1
1956-----	338	261	15	19	38	1	4
1957-----	227	174	18	6	17	8	3
1958-----	232	114	10	33	28	39	8
1959-----	238	123	1	39	29	35	11
1960 ^{2/} -----	192	103	1	32	6	38	13
1961 ^{2/} -----	189	94	7	54	1	29	6
1962 (January-April) ^{2/} -----	73	34	1	19	1	14	4

^{1/} Because of rounding, figures may not add to the totals shown.

^{2/} Preliminary.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Note.--There were no imports of towels from Hungary; see tables 2 and 3 for imports of toweling from that country.